

H-3105-1 - COOPERATIVE CONSERVATION PROVISIONS

KeywordsII. Approved Communitization AgreementA. General

A communitization agreement (CA) is an agreement where all parties holding working interests in a spacing unit for a certain formation or formations, usually set by a State Oil and Gas Commission order, combine those lease interests and consider operations conducted anywhere in the spacing unit as if they were on each lease. The agreement must be signed by or on behalf of all appropriate parties and filed prior to the expiration of the Federal leases involved in order to confer the benefits of the agreement upon such leases. (See 43 CFR 3105.2-3(a).)

COMMUNITIZATION
AGREEMENT

NOTE: A lease committed in part to a CA is not segregated.

LEASE COMMITTED
TO CA NOT
SEGREGATED

A CA may consist of only Federal leases or a combination of Federal and nonfederal leases, and may be formed at any time before or after the commencement of drilling operations. A CA is effective for Federal oil and gas leases upon approval by the AO for fluid mineral operations. The CA is effective from the date of the agreement or from the date of the onset of production from the communitized formation, whichever is earlier, or in some cases, the effective date may be the same as the effective date of a State pooling order. (See 43 CFR 3105.2-3(b).)

A CA is not usually approved unless all lands are leased. However, a CA may be approved where there is at least one leased tract (Federal, State, Indian, or fee) containing a well producing in paying quantities within the area to be communitized and there will be a long delay in leasing the remaining Federal lands.

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Keywords

Leases within a CA may terminate or expire because of a lack of drilling or failure to timely establish production. In such instances, where no other active Federal lease is committed to the CA or unless drainage is occurring, the AO for fluid mineral operations is to be requested to terminate the CA. If termination of the CA is not appropriate, the unleased Federal lands within the CA are to be made available for competitive leasing promptly under 43 CFR Part 3120. The competitive parcel offered for sale is to include all available lands within the communitized area. The Notice of Competitive Lease Sale for such a parcel must be noted to indicate that the lands are within an existing CA and that the successful bidder shall be required to negotiate a subsequent joinder with the operator of and the owners of other lease working interests in the CA, or otherwise show cause why joinder should not be required. (See Handbook 3120-1.)

UNLEASED
FEDERAL LANDS

Prior to lease issuance, the prospective lessee must comply with 43 CFR 3101.3-1 the same as for a unit area. Upon acceptance of the joinder by the AO for fluid mineral operations, the lease may be issued. The lease form is to be noted: "Committed to Communitization Agreement (CA serial number), Effective (lease effective date)." A lease will not be issued if the prospective lessee fails to join the CA unless satisfactory justification for nonjoinder is submitted and approved by the AO for fluid mineral operations.

Detailed guidance and procedures for approval of a CA are contained in Manual Section 3160-9. (See also Manual Sections 3105 and 3107 and Handbook 3107-1.)

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B. Action on Leases Within Communitized Area

Responsible Official	Step	Action	Keywords
Field Office Operations	1.	Approve and serialize CA and input into ALMRS Case Recordation using the current data standards.	COMMUNITIZATION AGREEMENT APPROVAL
	2.	Send copy of transmittal letter to the SO fluid lease adjudication. The copy of the transmittal letter must show the area and formation or formations communitized, leases affected, and effective date of CA (see Illustration 7). (See Manual Sections 3105.2 and 3160-9.)	
Adjudication	3.	Order the case files for the leases appearing in the transmittal letter	
	4.	<u>OPTIONAL</u> : Establish a CA folder labeled with serial number of CA, and CA effective date.	CA WORK FILE CREATED IN ADJUDICATION
Docket	5.	Charge case files to Adjudication.	
Adjudication	6.	Check to ensure lands in the CA are within the identified lease and not in another lease that has recently been segregated out of the identified lease. If any other leases are affected, obtain the appropriate case files.	ACTION ON CASE FILES
	7.	Place a copy of the transmittal letter or a copy of the CA serial register page in each affected lease case file.	
	8.	<u>OPTIONAL</u> : Stamp outside of lease case files to indicate the CA number and CA effective date.	
		<u>NOTE</u> : At the time the CA is being considered for approval, close coordination between the Field Office fluid mineral operations and the SO fluid lease adjudication is necessary if pending lease assignments or unusual royalty rates on affected leases are involved.	

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Responsible Official	Step	Action	Keywords
	9.	If approval of a CA is accompanied by a first production memorandum, transfer lease accounts from nonproducing (terminable) to producing (nonterminable) status in the MMS automated system using the procedures for First Production provided in Handbook 3107-1, Section II.A.	LEASE ACCOUNT TRANSFERS
	10.	Route case files for ALMRS Entry and to Docket. Route CA information to Title Records for entry of CA area on oil and gas plat or other appropriate status records.	
ALMRS Entry	11.	Enter Action Date (MANDATORY ACTION CODE): Enter date lease committed to CA (effective date of CA or lease effective date, whichever is later); DE 1775 Action Code 256/DE 2910 Action Code 246; Action Remarks: CA serial number.	AUTOMATED NOTATION
	12.	If lease changes from nonproducing (terminable) status to producing (nonterminable) status, enter the following:	
	12a.	Enter Action Date (MANDATORY ACTION CODE): Date first production memorandum or other notice sent to MMS that lease changed from nonproducing status to producing status; DE 1775 Action Code 057/DE 2910 Action Code 102.	
Title Records	13.	Enter CA area on oil and gas plat or other appropriate status records.	
Docket	14.	File case files.	